BRITISH COLUMBIA | BCStats

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Exports ◆ May 2011

- The value of British Columbia origin exports climbed 13.9% in the first five months of 2011 compared to the same period a year earlier. Substantial increases in exports to destinations such as Mainland China (+47.9%), Japan (+17.2%), South Korea (+32.6%), Taiwan (+42.4%) and the European Union (+34.2%) were the main drivers of the growth. Exports to BC's largest trading partner, the United States, were almost equal to the value shipped in the January to May period in 2010.

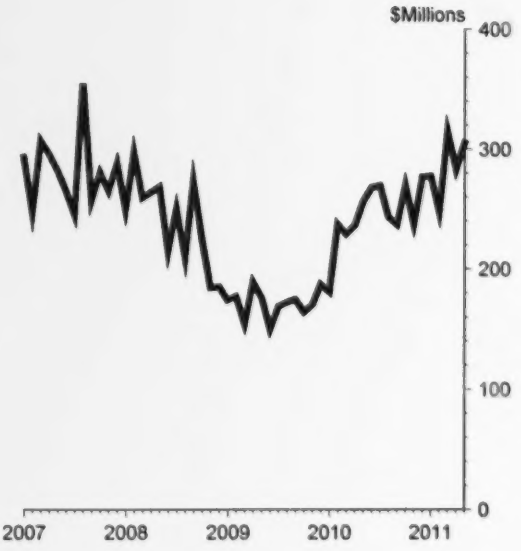
- There was solid export growth across most major commodity groups over the first five months of 2011. The value of energy product exports increased 15.7%, despite a 35.9% decline in exports of electricity and a 10.9% drop in natural gas shipments. The increase in overall energy exports was driven mainly by a 30.1% jump in shipments of coal, but exports of other energy products also experienced robust growth, climbing 34.6%. The rise in the value of coal shipments was completely the result of price inflation as quantities shipped actually fell 4.7%. Conversely, the decline in natural gas exports was the result of price declines, as quantities exported actually increased 5.5%.

- Exports of metallic mineral products grew 14.7% year-to-date, compared to the same five-month period a year earlier, despite an 18.4% drop in shipments of unwrought aluminum and a 6.9% decline in exports of molybdenum ores and concentrates. Exports of copper ores and concentrates (+31.4%), unwrought zinc (+5.2%) and other metallic mineral products (+37.2%) experienced strong growth, offsetting the declines in shipments of aluminum and molybdenum.

- In the forest sector, exports of both solid wood products (+13.1%) and pulp and paper (+16.0%) showed strong growth. Significant jumps in shipments of softwood lumber (+11.4%) and unprocessed logs (+56.1%) were the main drivers of growth in exports of solid wood products, while shipments of pulp (+25.4%) continue to prop up overall pulp and paper exports.

- Exports of agriculture and food products (excluding fish) grew 15.9%. Shipments of fish products were fairly flat, rising only marginally (+0.4%). Other commodities that saw strong growth include machinery and equipment (+7.5%), fabricated metal products (+13.0%) and chemicals and chemical products (+16.6%).

BC's pulp exports have been trending up over the last couple of years

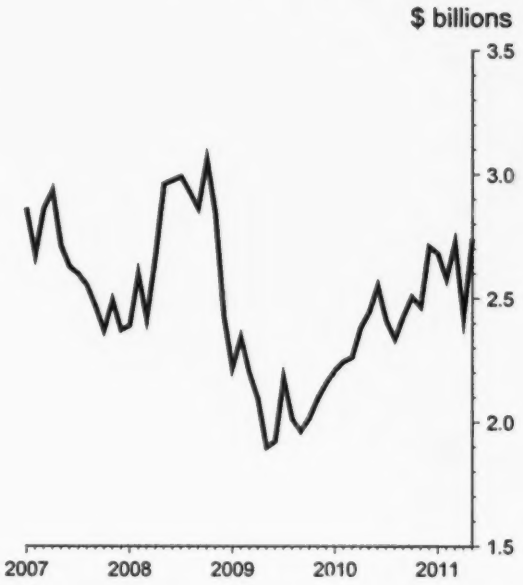


SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports rebounded from a 10.8% drop in April with a 12.6% rise in May. A 36.8% jump in the value of energy exports led the way, but there was also significant growth in shipments of industrial and consumer goods (+13.4%). Both shipments to the US (+14.2%) and the rest of the world (+11.4%) experienced robust growth in May. The value of energy exports to the US doubled in May (+101.2%), while a 25.9% jump in shipments of industrial and consumer products, coupled with a 15.7% increase in energy exports drove the growth in shipments overseas.

Exports (adjusted for seasonality) rebounded in May



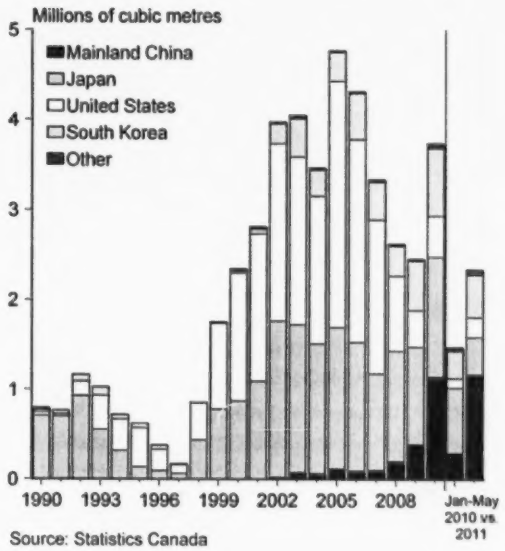
BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
May 2009	197	476	554	274	398	1,899	1,052
Jun	193	484	555	255	435	1,922	991
Jul	206	619	586	271	495	2,176	1,046
Aug	175	515	594	252	477	2,013	1,012
Sep	163	503	590	227	480	1,963	1,020
Oct	180	488	583	248	518	2,017	1,038
Nov	176	519	602	250	550	2,097	1,086
Dec	176	583	607	252	543	2,160	1,082
Jan 2010	179	624	654	259	492	2,209	1,110
Feb	197	586	684	243	534	2,244	1,082
Mar	194	596	664	257	552	2,262	1,118
Apr	188	650	713	263	568	2,382	1,120
May	187	673	730	262	591	2,444	1,143
Jun	187	764	782	271	545	2,550	1,211
Jul	196	723	715	271	505	2,410	1,093
Aug	207	631	692	267	540	2,337	1,111
Sep	226	734	687	277	505	2,429	1,042
Oct	211	667	749	273	607	2,506	1,072
Nov	200	629	754	276	607	2,466	1,070
Dec	205	763	796	293	650	2,708	1,116
Jan 2011	195	695	783	277	732	2,682	1,135
Feb	189	719	755	286	631	2,580	1,102
Mar	192	736	836	270	688	2,722	1,141
Apr	194	627	799	275	533	2,428	1,024
May	194	858	809	269	604	2,733	1,170

Log Boom for BC Exporters

The volume of unprocessed logs exported from BC jumped by over 50% in 2010 and it appears that log exports are on pace for a similar increase in 2011. The increase in 2010 followed four consecutive years of declines in the volume of logs exported. The 3.7 million cubic metres of logs exported from BC in 2010 was still well below the peak of 4.8 million cubic metres shipped to international destinations in 2005.

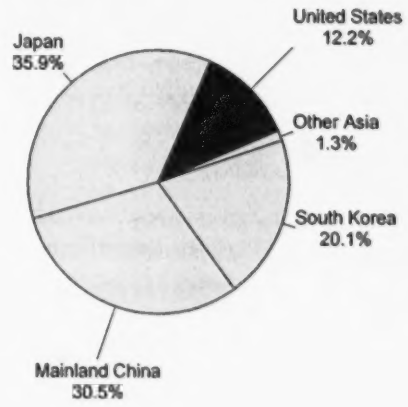
BC log exports increased substantially in 2010 and are on pace for another large jump in 2011



Source: Statistics Canada

Over the last several years, most of the logs exported from BC have been shipped to one of four destinations: Japan, Mainland China, South Korea and the United States. The share of logs shipped to the US has fallen significantly in recent years, such that, in 2010, it received only 12% of BC's log exports. The remainder was shipped to Asian destinations with 36% exported to Japan, 30% to Mainland China, 20% to South Korea and the balance to Hong Kong, Taiwan and India.

The large majority of BC's log exports were destined for Asia in 2010



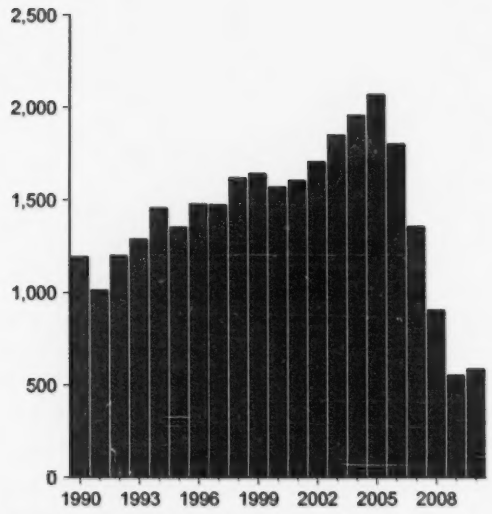
Source: Statistics Canada

The reduction in volumes of logs exported to the United States has been a direct result of the drop in demand for housing. US housing starts peaked in 2005, but over the next few years, the housing bubble burst, mainly as a result of the subprime mortgage crisis that was one of the primary contributors to the global economic downturn that began in 2008. Many Americans were lured into purchasing homes that were ultimately beyond their budgets with short-term subprime lending rates. However, when those initial rates expired and gave way to higher interest payments, a significant number of homeowners faced foreclosure as they were unable to meet their mortgage commitments. This left the housing market flooded with homes and new home construction slowed considerably. As a result, the US demand for lum-

ber fell sharply, affecting lumber mills in both Canada and the United States. Consequently, the demand for unprocessed logs from BC dropped, not only in the United States, but also within BC.

Over the last couple of years, the number of housing starts in the United States has been less than a third of what they were just a few years earlier.

Housing starts in the United States are well down from historical levels



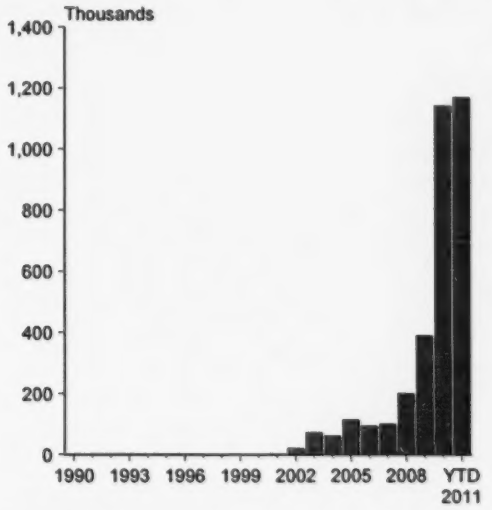
Source: US Department of Commerce

While the market for lumber in the United States has been poor, the opposite is true for Mainland China. China's appetite for lumber has been virtually insatiable and given that it plans to build 36 million homes by 2015 as part of a five-year plan,[1] it is unlikely this demand will wane anytime soon.

[1] China goes on building spree. (2011, March 15). *The Province*, p. A31.

BC's exports of softwood lumber to China have soared in the last few years, climbing 78% in volume between 2009 and 2010. However, that increase pales in comparison to the growth in volume of logs shipped from BC to China. From 2009 to 2010, the volume of logs exported from BC to China almost tripled. In fact, BC exported more logs to China in 2010 than in the previous 20 years combined.

BC's log exports to Mainland China in 2010 exceeded the cumulative sum of log exports to that country in the previous 20 years



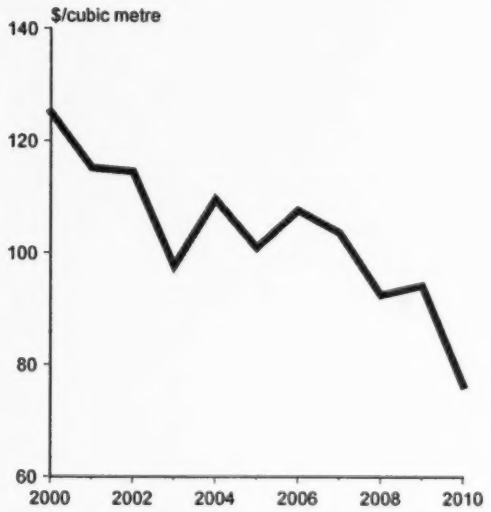
Source: Statistics Canada

The Chinese demand for unprocessed timber from BC has continued in 2011. Year-to-date from January through May, the volume of logs shipped to China already exceeds the total amount shipped in all of 2010.

In addition to demand pressures due to new housing construction, there have also been supply-side issues that have resulted in the boost in exports of logs and lumber from BC to China. A history of overharvesting in China has led to restrictions on logging within that coun-

try, such that the Chinese demand for wood cannot be met domestically. Russia was a key supplier of logs for Chinese mills, but in 2008 the Russian government imposed a hefty export tax of 25% on unprocessed logs in an attempt to encourage development of the Russian sawmilling industry. The result was a dramatic decline in log exports from Russia, which left the door open for other suppliers to fill the gap. British Columbia logging companies were among those that gained a foothold in the Chinese market. Russia has apparently offered to halve the export duty on logs in order to gain ascension to the WTO, which could impact the volume of future log exports from BC to China. However, the duty would still be 12.5%, which may not be low enough to be competitive with other suppliers such as those in British Columbia.

The implicit price of BC logs exported to the United States has fallen in lockstep with demand

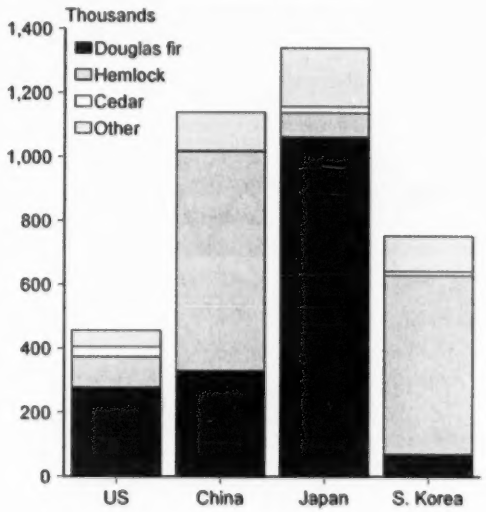


Source: Statistics Canada

The strong growth in Chinese demand for logs and lumber products has been a boon for BC's forest sector, particularly in light of the slump in shipments to the United States. The average price paid for logs exported to the US has been trending down over the last decade, such that, by 2010, it was around 60% of the level exporters received in 2000. Some of this may be due to a change in the mix of species shipped to the US, but most of it is likely due to the reduction in housing starts and the subsequent slump in demand for lumber.

The average price paid per cubic metre of log exported from BC to China exceeded that of both the US and Japan in 2010, despite the fact that log shipments to Japan and the United States are largely comprised of higher-valued species, such as Douglas fir, while exports to Mainland China and South Korea were mainly made up of hemlock, which is generally a lower-valued wood.

Most of the logs shipped to Mainland China and South Korea in 2010 were comprised of lower-valued hemlock



Source: Statistics Canada

It is possible that the US and Japan are receiving lower grades of lumber, which accounts for some of the difference in average price. Also,

given the strength of demand, the Chinese have been willing to pay a premium for logs. It should be noted that pine beetle-killed wood is not among the possible reasons for price differences, as very little pine beetle wood is exported as logs.

The short-term outlook for BC log exports appears to be a continuation of recent trends. The US housing market is not expected to rebound in the near future and barring a sudden influx of wood from Russia, China's demand for logs from BC is likely to continue.

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(released July 2011)

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(released June 2011)

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(released May 2011)

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NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.